

# Union Bank of India

Estimate change	↔
TP change	↔
Rating change	↔

Bloomberg	UNBK IN
Equity Shares (m)	7634
M.Cap.(INRb)/(USD\$)	1371.8 / 14.6
52-Week Range (INR)	205 / 113
1, 6, 12 Rel. Per (%)	-1/32/40
12M Avg Val (INR M)	2339

## Financials & Valuation (INR b)

Y/E March	FY26	FY27E	FY28E
NII	366.6	392.2	440.9
OP	286.2	294.7	337.5
NP	187.0	180.6	200.9
NIM (%)	2.5	2.6	2.7
EPS (INR)	24.5	23.7	26.3
EPS Gr. (%)	3.9	-3.4	11.3
BV/Sh. (INR)	164	182	204
ABV/Sh. (INR)	158	174	196
RoA (%)	1.2	1.1	1.1
RoE (%)	16.2	13.9	13.9

## Valuations

P/E(X)	7.3	7.6	6.8
P/BV (X)	1.1	1.0	0.9
P/ABV (X)	1.1	1.0	0.9

## Shareholding Pattern (%)

As On	Mar-26	Dec-25	Mar-25
Promoter	74.8	74.8	74.8
DII	11.5	11.9	11.6
FII	9.4	8.1	7.1
Others	4.4	5.2	6.5

**CMP: INR180**                      **TP: INR180**                      **Neutral**

## NIMs lower vs estimates; earnings beat led by recoveries

### Creates one-off standard asset provisions of INR7b

- Union Bank of India (UNBK) reported 4QFY26 PAT of INR53.2b (up 7% YoY/up 6% QoQ, 18% beat), led by NPA recoveries and lower opex. This was partly offset by lower NII and higher-than-expected provisions.
- NII declined 1.1% YoY/rose 0.8% QoQ to INR94.1b (2% miss) amid lower NIMs (down 12bp QoQ to 2.64% vs. MOFSLe of 2.72%). NIM contraction was majorly attributed to the transmission of the repo rate cut.
- Loan book grew 10.5% YoY/6.3% QoQ to INR10.5t. Management expects growth to sustain at 13-14%, while CD ratio shall remain comfortable at ~82-83%.
- Fresh slippages rose 13% QoQ to INR21b vs INR18.5b in 3QFY26. GNPA/NNPA ratio improved 24bp/3bp QoQ to 2.82%/0.48%. PCR stood stable QoQ at 83.3%.
- **We fine-tune our estimates and project FY27E RoA/RoE at 1.1%/13.9%. We expect loans to expand at a 10.5% CAGR over FY26-28. We reiterate our Neutral rating on the stock with a TP of INR180 (1.0x Sep'27E ABV).**

### LCR declines to 114%; CD ratio stable at 80.6%

- UNBK reported 4QFY26 PAT of INR53.2b (6% QoQ, 18% beat). NII declined 1.1% YoY/rose 0.8% QoQ, while NIMs contracted 12bp QoQ to 2.64% (MOFSLe of 2.72%).
- Other income grew 19% QoQ (down 2.6% YoY) to INR54.1b amid strong recoveries from NPAs and modest treasury profits in 4Q. The bank's AFS reserve declined INR8b (with outstanding AFS reserve at -INR10b).
- Opex declined 7% YoY/down 0.9% QoQ (8% lower than MOFSLe), largely due to changes in the discounting rate vs last year. C/I ratio, thus, declined to 46.3% (vs 49.9% in 3Q). PPoP improved 3.3% YoY (up 14.6% QoQ) to INR79.5b (15% beat on MOFSLe).
- Advances growth stood strong after a lackluster 1H growth (up 10.5% YoY/6.3% QoQ), led by strong growth in corporate (up 9.3% QoQ) and steady growth in the RAM segment (up 12.6% YoY/ 3.7% QoQ). Within retail, growth was led by VF (up 7.9% QoQ) as well as steady growth in housing (up 2.9% QoQ).
- Deposits grew 2.7% YoY/6.9% QoQ to INR13.1t amid a sharp increase in CA deposits. The CA book grew 24.1% QoQ (down 2.7% YoY), and the SA book grew 10.6% YoY/8.2% QoQ, leading the CASA ratio to improve to 35.2% (up 125bp QoQ). CD ratio declined marginally to 80.6% (down 43bp QoQ).
- Fresh slippages increased 13% QoQ to INR21b, while healthy recoveries and upgrades led to an improvement in the GNPA/NNPA ratio by 24bp/3bp QoQ to 2.82%/0.48%. PCR ratio stood stable at 83.3%.
- The bank reported higher credit costs at 0.16% vs 0.09% in 3QFY26 amid the creation of standard asset provisions of INR7b in 4Q.

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**Investors are advised to refer through important disclosures made at the last page of the Research Report.**

Motilal Oswal research is available on [www.motilalosal.com/Institutional-Equities](http://www.motilalosal.com/Institutional-Equities), Bloomberg, Thomson Reuters, Factset and S&P Capital.

### Highlights from the management commentary

- The bank aims to defend NIMs despite some yield volatility in 4Q, while NIM contraction was primarily driven by a 25bp rate cut.
- AFS reserve declined ~INR8b, with an outstanding balance of negative INR10b.
- Recovery pool remains strong at ~INR450-460b; recovery momentum is expected to continue in FY27, similar to FY26.
- Growth strategy remains focused on balancing profitability and improving RoA.
- Loan book mix: ~54% linked to EBLR and ~36% to MCLR.

### Valuation and view

UNBK reported a modest quarter, with NIM contraction weighing on performance; however, stronger other income supported an earnings beat, even as credit costs were elevated due to the creation of standard asset provisions. Loan growth improved following a subdued 1H, while deposit growth also rebounded in a seasonally strong quarter, with the bank remaining cautious on bulk deposits. Management has guided for loan growth of 12–14%, with a continued focus on margin-accretive expansion. Margins came in below expectations, largely impacted by repo rate transmission following the Dec'25 rate cut. The bank has built a standard asset provision buffer of ~INR30b (including ~INR7b created in 4Q), while the estimated ECL transition impact stands at ~INR42–43b. Asset quality continued to improve overall, although slippages were marginally higher in 4Q. **We fine-tune our estimates and project FY27E RoA/RoE at 1.1%/13.9%. We expect loans to expand at a 10.5% CAGR over FY26-28. We reiterate our Neutral rating on the stock with a TP of INR180 (1.0x Sep'27E ABV).**

### Quarterly Performance

	FY25				FY26E				FY26	FY27E	FY26E 4QE	V/S our Est
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4QA				
Interest Income	263.6	267.1	265.4	277.0	273.0	261.9	264.4	264.4	1,059.9	1,123.8	267	0.9
Interest Expense	169.5	176.6	173.0	181.8	181.8	173.8	171.2	170.3	693.3	731.6	171	0.5
<b>Net Interest Income</b>	<b>94.1</b>	<b>90.5</b>	<b>92.4</b>	<b>95.1</b>	<b>91.1</b>	<b>88.1</b>	<b>93.3</b>	<b>94.1</b>	<b>366.6</b>	<b>392.2</b>	<b>95.6</b>	<b>-2%</b>
% Change (YoY)	6.5	-0.9	0.8	0.8	-3.2	-2.6	0.9	-1.1	-1.5	7.0	0.5	
Other Income	45.1	53.3	44.2	55.6	44.9	50.0	45.4	54.1	194.3	202.1	48.0	13%
<b>Total Income</b>	<b>139.2</b>	<b>143.8</b>	<b>136.6</b>	<b>150.7</b>	<b>136.0</b>	<b>138.1</b>	<b>138.7</b>	<b>148.2</b>	<b>560.9</b>	<b>594.3</b>	<b>143.6</b>	<b>3%</b>
Operating Expenses	61.4	62.6	61.7	73.7	66.9	69.9	69.3	68.6	274.7	299.7	74.7	-8%
<b>Operating Profit</b>	<b>77.9</b>	<b>81.1</b>	<b>74.9</b>	<b>77.0</b>	<b>69.1</b>	<b>68.1</b>	<b>69.4</b>	<b>79.6</b>	<b>286.2</b>	<b>294.7</b>	<b>69.0</b>	<b>15%</b>
% Change (YoY)	8.4	12.4	2.9	17.9	-11.3	-16.0	-7.3	3.3	-7.9	3.0	-10.4	
Provisions	27.6	17.1	16.0	15.4	16.6	14.0	3.2	10.5	44.4	58.9	9.7	8%
<b>Profit before Tax</b>	<b>50.3</b>	<b>64.0</b>	<b>58.9</b>	<b>61.6</b>	<b>52.4</b>	<b>54.2</b>	<b>66.2</b>	<b>69.0</b>	<b>241.8</b>	<b>235.7</b>	<b>59.2</b>	<b>16%</b>
Tax	13.5	16.8	12.9	11.7	11.3	11.7	16.0	15.8	54.8	55.2	14.4	10%
<b>Net Profit</b>	<b>36.8</b>	<b>47.2</b>	<b>46.0</b>	<b>49.8</b>	<b>41.2</b>	<b>42.5</b>	<b>50.2</b>	<b>53.2</b>	<b>187.0</b>	<b>180.6</b>	<b>44.9</b>	<b>18%</b>
% Change (YoY)	13.7	34.4	28.2	50.6	11.9	-10.0	9.0	6.6	3.9	-3.4	-10.0	
<b>Operating Parameters</b>												
Deposit (INR b)	11,965	12,116	11,831	12,722	12,399	12,346	12,229	13,069	13,069	14,219	12,557	
Loan (INR b)	8,787	8,971	9,202	9,535	9,461	9,483	9,909	10,533	10,533	11,586	10,336	
Deposit Growth (%)	6.1	6.5	0.9	4.2	3.6	1.9	3.4	2.7	2.7	8.8	-1.3	
Loan Growth (%)	14.0	11.6	6.7	9.5	7.7	5.7	7.7	10.5	10.5	10.0	8.4	
<b>Asset Quality</b>												
Gross NPA (%)	4.5	4.4	3.9	3.6	3.5	3.3	3.1	2.8	2.8	2.7	2.9	
Net NPA (%)	0.9	1.0	0.8	0.6	0.6	0.6	0.5	0.5	0.5	0.5	0.5	
PCR (%)	80.9	78.4	79.3	83.1	82.9	83.8	83.6	83.3	83.3	82.0	83.4	

E: MOFSL Estimates

**Quarterly Snapshot**

INR b	FY25				FY26				Change (%)	
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	YoY	QoQ
<b>Profit and Loss</b>										
Interest Income	263.6	267.1	265.4	277.0	273.0	261.9	264.4	264.4	-5	0
Interest Expenses	169.5	176.6	173.0	181.8	181.8	173.8	171.2	170.3	-6	0
<b>Net Interest Income</b>	<b>94.1</b>	<b>90.5</b>	<b>92.4</b>	<b>95.1</b>	<b>91.1</b>	<b>88.1</b>	<b>93.3</b>	<b>94.1</b>	<b>-1</b>	<b>1</b>
Other Income	45.1	53.3	44.2	55.6	44.9	50.0	45.4	54.1	-3	19
Trading profits	7.0	10.3	8.1	16.5	14.2	10.7	9.0	6.4	-61	-29
<b>Total Income</b>	<b>139.2</b>	<b>143.8</b>	<b>136.6</b>	<b>150.7</b>	<b>136.0</b>	<b>138.1</b>	<b>138.7</b>	<b>148.2</b>	<b>-2</b>	<b>7</b>
Operating Expenses	61.4	62.6	61.7	73.7	66.9	69.9	69.3	68.6	-7	-1
Employee	35.7	35.6	34.7	40.7	39.5	39.1	40.1	34.2	-16	-15
Others	25.7	27.0	27.0	33.0	27.4	30.9	29.2	34.4	4	18
<b>Operating Profits</b>	<b>77.9</b>	<b>81.1</b>	<b>74.9</b>	<b>77.0</b>	<b>69.1</b>	<b>68.1</b>	<b>69.4</b>	<b>79.6</b>	<b>3</b>	<b>15</b>
<b>Core Operating Profits</b>	<b>70.9</b>	<b>70.9</b>	<b>66.8</b>	<b>60.5</b>	<b>54.9</b>	<b>57.4</b>	<b>60.4</b>	<b>73.2</b>	<b>21</b>	<b>21</b>
Provisions	27.6	17.1	16.0	15.4	16.6	14.0	3.2	10.5	-32	227
<b>PBT</b>	<b>50.3</b>	<b>64.0</b>	<b>58.9</b>	<b>61.6</b>	<b>52.4</b>	<b>54.2</b>	<b>66.2</b>	<b>69.0</b>	<b>12</b>	<b>4</b>
Taxes	13.5	16.8	12.9	11.7	11.3	11.7	16.0	15.8	35	-1
<b>PAT</b>	<b>36.8</b>	<b>47.2</b>	<b>46.0</b>	<b>49.8</b>	<b>41.2</b>	<b>42.5</b>	<b>50.2</b>	<b>53.2</b>	<b>7</b>	<b>6</b>
<b>Balance Sheet (INR b)</b>										
Loans	8,787	8,971	9,202	9,535	9,461	9,483	9,909	10,533	10	6
Deposits	11,965	12,116	11,831	12,722	12,399	12,346	12,229	13,069	3	7
CASA Deposits	3,995	3,963	3,953	4,263	4,030	4,019	4,151	4,601	8	11
- Savings	3,325	3,284	3,284	3,399	3,345	3,388	3,473	3,760	11	8
- Current	669	679	669	864	686	630	678	841	-3	24
<b>Loan mix (INR b)</b>										
Retail	1,823.2	1,923.8	2,018.1	2,167.8	2,290.4	2,385.1	2,455.4	2,530.8	17	3
Agri	1,889.4	1,919.1	1,852.8	1,784.8	1,716.1	1,684.1	1,752.9	1,833.9	3	5
MSME	1,369.5	1,408.4	1,304.4	1,364.2	1,444.4	1,474.0	1,562.0	1,620.1	19	4
Large Corporate & others	3,705.9	3,692.8	3,953.9	4,143.0	3,930.1	3,879.7	4,036.8	4,424.7	7	10
<b>Loan mix (%)</b>										
Retail	20.7	21.5	22.1	22.9	24.4	25.3	25.0	24.3	140	-72
Agri	21.5	21.5	20.3	18.9	18.3	17.9	17.9	17.6	-125	-26
MSME	15.6	15.7	14.3	14.4	15.4	15.6	15.9	15.6	114	-36
Large Corporate & others	42.2	41.3	43.3	43.8	41.9	41.2	41.2	42.5	-129	134
<b>Asset Quality (INR b)</b>										
GNPA	414.2	405.0	365.5	353.5	343.1	320.9	311.2	304.0	-14	-2
NNPA	79.0	87.6	75.7	59.7	58.7	52.1	51.0	50.7	-15	-1
<b>Asset Quality Ratios (%)</b>										
GNPA	4.5	4.4	3.9	3.6	3.5	3.3	3.1	2.8	-78	-24
NNPA	0.9	1.0	0.8	0.6	0.6	0.6	0.5	0.5	-15	-3
PCR - (calc)	80.9	78.4	79.3	83.1	82.9	83.8	83.6	83.3	22	-27
PCR (inc TWO)	93.5	92.8	93.4	94.6	94.7	95.1	95.1	95.0	42	-10
Slippage Ratio	1.1	2.5	0.9	1.1	1.0	0.8	0.8	0.8	-27	7
<b>Business Ratios (%)</b>										
CASA	33.4	32.7	33.4	33.5	32.5	32.6	34.0	35.2	169	125
Loan/Deposit	73.4	74.0	77.8	74.9	76.3	76.8	81.0	80.6	565	-43
Other Income/Total Income	32.4	37.1	32.3	36.9	33.0	36.2	32.7	36.5	-36	378
Cost to Income	44.1	43.6	45.1	48.9	49.2	50.7	49.9	46.3	-260	-363
Cost to Asset	1.8	1.8	1.8	2.0	1.9	1.9	1.9	1.8	-25	-13
Tax Rate	26.9	26.3	21.9	19.0	21.5	21.6	24.2	23.0	394	-125
<b>Capitalisation Ratios (%)</b>										
Tier-1	15.1	15.2	14.9	16.3	16.6	15.6	15.1	16.6	38	157
CET-1	13.8	13.9	13.6	15.0	15.3	14.4	13.9	15.7	71	175
Tier-2	1.9	1.9	1.8	1.8	1.7	1.5	1.4	1.5	-30	4
CAR	17.0	17.1	16.7	18.0	18.3	17.1	16.5	18.1	8	161
RWA / Total Assets	50.0	48.8	49.2	48.7	47.8	50.2	51.5	49.6	92	-191
LCR	138.5	144.1	130.6	130.7	131.7	127.3	123.6	113.8	-1,684	-981
<b>Profitability Ratios (%)</b>										
Yield on Loans	8.7	8.7	8.8	8.7	8.5	8.3	8.3	8.0	-74	-29
Yield on Investments	6.9	6.9	6.9	6.8	6.9	6.8	6.8	6.8	-6	-4
Cost of Deposits	5.4	5.6	5.6	5.6	5.5	5.5	5.3	5.2	-37	-8
Margins	3.05	2.90	2.91	2.87	2.76	2.67	2.76	2.64	-23	-12
<b>Other Details</b>										
Branches	8,473	8,555	8,574	8,621	8,649	8,655	8,671	8,697	76	26
ATMs	9,342	9,124	9,087	8,910	8,976	9,064	8,300	8,656	-254	356



## Highlights from the management commentary

### Opening Remarks

- RBI and GOI have taken various measures to support the market.
- The bank is prioritizing focus on CASA, with a shift seen toward retail TDs.
- LCR at 114% is at a comfortable level, and the bank has been maintaining the same.
- The global business grew 13% - annualized for 4Q.
- The bank has recommended INR5 as dividend, subject to approval.
- Deposits grew 2.72%.
- Domestic RAM advances were 69% of the overall book.
- The bank has strong capital ratios. CET-1 has improved to 16.69%.
- RoA remained flat YoY and QoQ.
- The bank has made INR7b of standard asset provision. This can be used for any other contingencies as well as for ECL.

### Advances & deposits related

- The bank mobilized ~INR460b of global deposits.
- CD ratio increased to 80.6% vs 74.9% earlier.
- Strong emphasis on CASA has yielded results.
- Low-yield IBPC book of ~INR350b has largely run down to near zero.
- Growth strategy remains focused on balancing profitability and improving RoA.
- CD issuances were done at better rates; most funding requirements were met by Jan–Feb, with Feb witnessing tighter conditions.
- The company raised ~INR30b via infra bonds during the quarter, aiding growth.
- Loan book mix: ~54% linked to EBLR and ~36% to MCLR.
- The bank will continue to reduce low-yielding advances, albeit at a slower pace.

### Yields, costs, and margins

- The bank aims to defend NIMs despite some yield volatility in 4Q.
- Around 58% of the book is linked to T-bill/repo, leading to NIM contraction to 2.64%; management expects stabilization and gradual expansion in NIMs.
- Bulk deposit rates were ~7% during the quarter; CD activity remains muted in April.
- NIM contraction was primarily driven by a 25bp rate cut.

### Other income and opex

- Opex declined due to changes in discounting rates, with higher rates lowering expenses.
- AFS reserve declined ~INR8b, with an outstanding balance of negative INR10b.
- PSLC fee income remained soft; the bank had initiated PSLC activity only from 2Q.

### Asset quality

- Total recoveries stood at ~INR16b, including ~INR6b from the Sterling account.
- Impact from the West Asia conflict remains limited so far; while remittances have moderated, no stress is visible in 4Q.
- SMA-2 accounts have largely migrated to SMA-1 with recovery of instalments.

- MSME slippages saw a marginal uptick, though supported by overlays; there was no material impact from geopolitical issues.
- Credit costs remain largely stable.
- INR7b of standard provisions have been maintained as a buffer.
- ECL transition impact is estimated at ~INR42-43b.
- Total standard asset provisions stand at ~INR30b.
- No changes have been made to MSME risk filters.
- Recovery pool remains strong at ~INR450-460b; recovery momentum is expected to continue in FY27, similar to FY26.

#### **Miscellaneous**

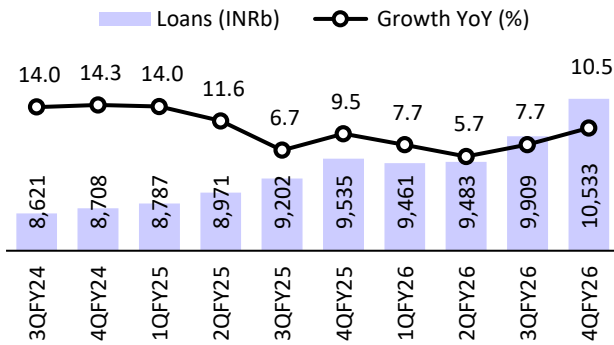
- Revised LCR guidelines are expected to provide a positive impact of ~INR70b and improve LCR by ~3%.

#### **Guidance**

- The bank will see 13-14% of credit growth going ahead.
- It aspires to achieve deposits growth at 10-11%.
- Management expects stabilization and gradual expansion in NIMs.

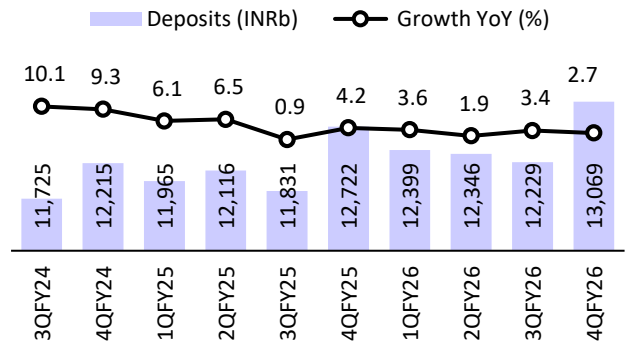
## Story in charts

**Exhibit 1: Loans grew 10.5% YoY (6.3% QoQ) to INR10.5t**



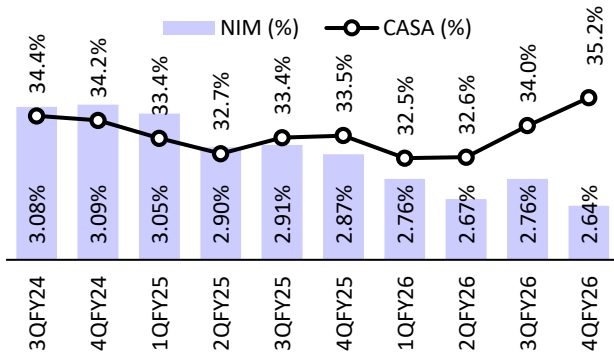
Source: MOFSL, Company

**Exhibit 2: Deposits grew 2.7% YoY (6.9% QoQ) to INR13.1t**



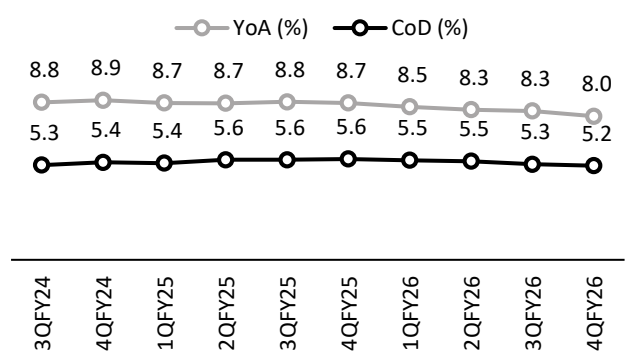
Source: MOFSL, Company

**Exhibit 3: NIMs contracted 12bp QoQ to 2.64%; CASA improved to 35.2%**



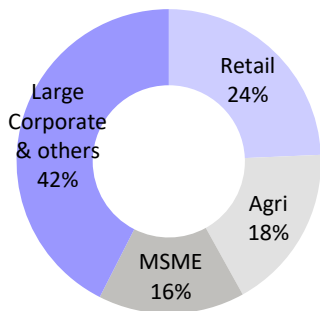
Source: MOFSL, Company

**Exhibit 4: YoA declined 29bp QoQ to 7.98%; CoD declined to 5.23%**



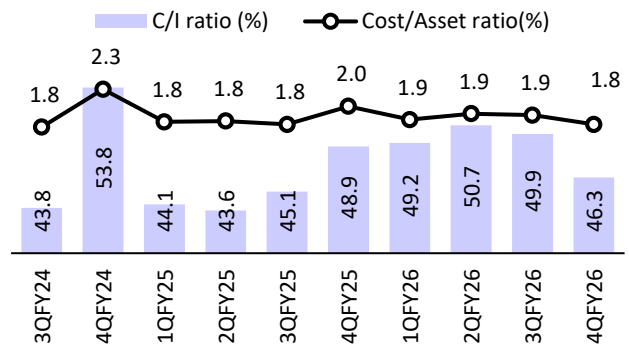
Source: MOFSL, Company

**Exhibit 5: Loan mix as a % of domestic advances - 4QFY26**



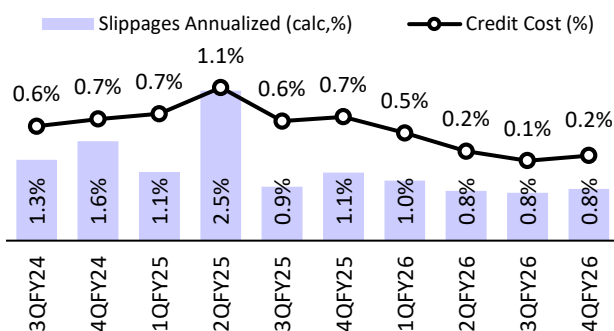
Source: MOFSL, Company

**Exhibit 6: C/I ratio declined 363bp QoQ to 46.3%**



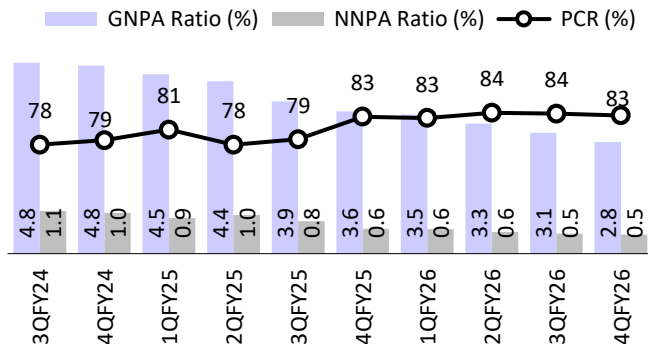
Source: MOFSL, Company

**Exhibit 7: Credit costs inched up to 16bp in 4QFY26**



Source: MOFSL, Company

**Exhibit 8: GNPA/NNPA ratio improved 24bp/3bp QoQ**



Source: MOFSL, Company

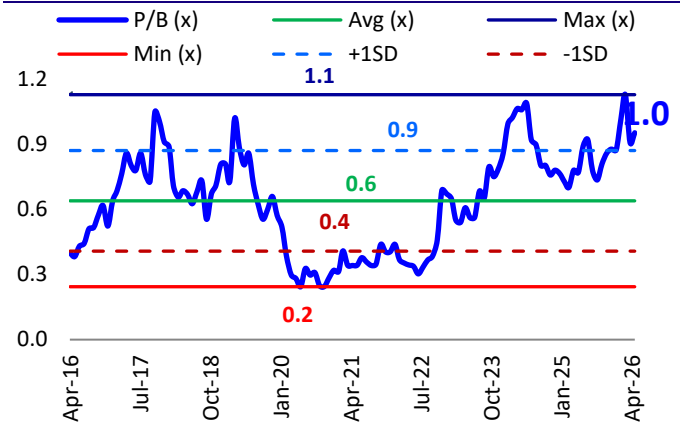
**Valuation and view: Reiterate Neutral with a TP of INR180**

- UNBK reported a modest quarter, with NIM contraction weighing on performance; however, stronger other income supported an earnings beat, even as credit costs were elevated due to the creation of standard asset provisions.
- Loan growth improved following a subdued 1H, while deposit growth also rebounded in a seasonally strong quarter, with the bank remaining cautious on bulk deposits.
- Management has guided for loan growth of 12–14%, with a continued focus on margin-accretive expansion. Margins came in below expectations, largely impacted by repo rate transmission following the Dec'25 rate cut.
- The bank has built a standard asset provision buffer of ~INR30b (including ~INR7b created in 4Q), while the estimated ECL transition impact stands at ~INR42–43b. Asset quality continued to improve overall, although slippages were marginally higher in 4Q.
- **We fine-tune our estimates and project FY27E RoA/RoE at 1.1%/13.9%. We expect loans to expand at a 10.5% CAGR over FY26-28. We reiterate our Neutral rating on the stock with a TP of INR180 (1.0x Sep'27E ABV).**

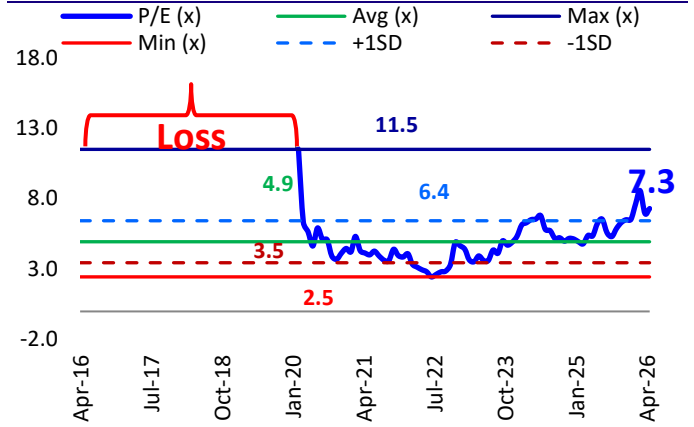
**Exhibit 9: Summary of our earnings estimates**

INR B	Old Est			Rev Est			Change %/bps		
	FY26	FY27	FY28	FY26	FY27	FY28	FY26	FY27	FY28
<b>Net Interest Income</b>	<b>368.2</b>	<b>398.2</b>	<b>451.4</b>	<b>366.6</b>	<b>392.2</b>	<b>440.9</b>	<b>-0.4</b>	<b>-1.5</b>	<b>-2.3</b>
Other Income	188.2	199.5	219.5	194.3	202.1	223.3	3.3	1.3	1.8
<b>Total Income</b>	<b>556.4</b>	<b>597.7</b>	<b>670.9</b>	<b>560.9</b>	<b>594.3</b>	<b>664.2</b>	<b>0.8</b>	<b>-0.6</b>	<b>-1.0</b>
Operating Expenses	280.8	304.6	332.1	274.7	299.7	326.8	-2.1	-1.6	-1.6
<b>Operating Profits</b>	<b>275.6</b>	<b>293.1</b>	<b>338.8</b>	<b>286.2</b>	<b>294.7</b>	<b>337.5</b>	<b>3.8</b>	<b>0.5</b>	<b>-0.4</b>
Provisions	43.6	57.8	76.0	44.4	58.9	75.2	1.9	2.1	-1.0
<b>PBT</b>	<b>232.0</b>	<b>235.3</b>	<b>262.8</b>	<b>241.8</b>	<b>235.7</b>	<b>262.3</b>	<b>4.2</b>	<b>0.2</b>	<b>-0.2</b>
Tax	53.4	55.1	61.5	54.8	55.2	61.4	2.8	0.2	-0.2
<b>PAT</b>	<b>178.7</b>	<b>180.3</b>	<b>201.3</b>	<b>187.0</b>	<b>180.6</b>	<b>200.9</b>	<b>4.6</b>	<b>0.2</b>	<b>-0.2</b>
Loans	10,336	11,421	12,655	10,533	11,586	12,861	1.9	1.4	1.6
Margins (%)	2.57	2.67	2.77	2.51	2.58	2.70	-5	-8	-8
<b>RoA (%)</b>	<b>1.19</b>	<b>1.15</b>	<b>1.18</b>	<b>1.22</b>	<b>1.10</b>	<b>1.13</b>	<b>3</b>	<b>-4</b>	<b>-5</b>
<b>RoE (%)</b>	<b>15.6</b>	<b>14.1</b>	<b>14.0</b>	<b>16.2</b>	<b>13.9</b>	<b>13.9</b>	<b>57</b>	<b>-15</b>	<b>-11</b>
<b>BV</b>	<b>162</b>	<b>181</b>	<b>203</b>	<b>164</b>	<b>182</b>	<b>204</b>	<b>1.8</b>	<b>0.6</b>	<b>0.5</b>
ABV	155	173	195	158	174	196	2.0	0.6	0.4
EPS	23	24	26	24	24	26	4.6	0.2	-0.2

Source: MOFSL, Company

**Exhibit 10: One-year forward P/B ratio**


Source: MOFSL, Company

**Exhibit 11: One-year forward P/E ratio**


Source: MOFSL, Company

**Exhibit 12: DuPont Analysis**

Y/E MARCH (%)	FY22	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	6.01	6.54	7.47	7.32	6.91	6.88	6.84
Interest Expense	3.55	3.89	4.73	4.75	4.52	4.48	4.36
<b>Net Interest Income</b>	<b>2.46</b>	<b>2.65</b>	<b>2.74</b>	<b>2.57</b>	<b>2.39</b>	<b>2.40</b>	<b>2.48</b>
Fee income	0.82	1.10	1.06	1.14	1.08	1.04	1.04
Trading and others	0.29	0.09	0.14	0.23	0.18	0.20	0.22
Non Interest Income	1.11	1.19	1.20	1.37	1.27	1.24	1.26
<b>Total Income</b>	<b>3.57</b>	<b>3.84</b>	<b>3.94</b>	<b>3.94</b>	<b>3.66</b>	<b>3.64</b>	<b>3.74</b>
<b>Operating Expenses</b>	<b>1.63</b>	<b>1.78</b>	<b>1.83</b>	<b>1.79</b>	<b>1.79</b>	<b>1.83</b>	<b>1.84</b>
Employees	0.90	1.00	1.08	1.01	1.04	1.08	1.08
Others	0.74	0.77	0.75	0.78	0.75	0.76	0.76
<b>Operating Profits</b>	<b>1.94</b>	<b>2.06</b>	<b>2.11</b>	<b>2.15</b>	<b>1.86</b>	<b>1.80</b>	<b>1.90</b>
<b>Core Operating Profits</b>	<b>1.64</b>	<b>1.98</b>	<b>1.97</b>	<b>1.92</b>	<b>1.68</b>	<b>1.61</b>	<b>1.68</b>
Provisions	1.18	1.08	0.51	0.53	0.29	0.36	0.42
<b>PBT</b>	<b>0.76</b>	<b>0.98</b>	<b>1.60</b>	<b>1.62</b>	<b>1.58</b>	<b>1.44</b>	<b>1.48</b>
Tax	0.30	0.30	0.58	0.38	0.36	0.34	0.35
<b>RoA</b>	<b>0.46</b>	<b>0.68</b>	<b>1.02</b>	<b>1.24</b>	<b>1.22</b>	<b>1.10</b>	<b>1.13</b>
Leverage (x)	18.02	17.88	16.34	14.54	13.31	12.60	12.28
<b>RoE</b>	<b>8.34</b>	<b>12.22</b>	<b>16.69</b>	<b>18.09</b>	<b>16.21</b>	<b>13.92</b>	<b>13.89</b>



## Financials and valuations

Income Statement						(INRb)
Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Interest Income	807.4	997.8	1,059.1	1,059.9	1,123.8	1,215.1
Interest Expense	479.8	632.1	687.0	693.3	731.6	774.2
<b>Net Interest Income</b>	<b>327.7</b>	<b>365.7</b>	<b>372.1</b>	<b>366.6</b>	<b>392.2</b>	<b>440.9</b>
- growth (%)	17.9	11.6	1.8	-1.5	7.0	12.4
Non Interest Income	146.3	160.8	198.1	194.3	202.1	223.3
<b>Total Income</b>	<b>474.0</b>	<b>526.5</b>	<b>570.3</b>	<b>560.9</b>	<b>594.3</b>	<b>664.2</b>
- growth (%)	17.6	11.1	8.3	-1.6	6.0	11.8
Operating Expenses	219.3	244.4	259.4	274.7	299.7	326.8
<b>Pre Provision Profits</b>	<b>254.7</b>	<b>282.1</b>	<b>310.9</b>	<b>286.2</b>	<b>294.7</b>	<b>337.5</b>
- growth (%)	16.4	10.8	10.2	-7.9	3.0	14.5
<b>Core PPP</b>	<b>243.8</b>	<b>262.8</b>	<b>278.1</b>	<b>258.0</b>	<b>262.3</b>	<b>298.2</b>
- growth (%)	31.3	7.8	5.8	-7.2	1.7	13.7
Provisions (excl tax)	133.3	67.8	76.1	44.4	58.9	75.2
<b>PBT</b>	<b>121.4</b>	<b>214.3</b>	<b>234.8</b>	<b>241.8</b>	<b>235.7</b>	<b>262.3</b>
Tax	37.0	77.8	54.9	54.8	55.2	61.4
Tax Rate (%)	30.5	36.3	23.4	22.7	23.4	23.4
<b>PAT</b>	<b>84.3</b>	<b>136.5</b>	<b>179.9</b>	<b>187.0</b>	<b>180.6</b>	<b>200.9</b>
- growth (%)	61.2	61.8	31.8	3.9	-3.4	11.3

### Balance Sheet

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
Equity Share Capital	68.3	76.3	76.3	76.3	76.3	76.3
Reserves & Surplus	715.0	893.4	1,053.4	1,209.4	1,341.5	1,508.0
<b>Net Worth</b>	<b>783.3</b>	<b>969.7</b>	<b>1,129.8</b>	<b>1,285.7</b>	<b>1,417.8</b>	<b>1,584.4</b>
<b>Deposits</b>	<b>11,177.2</b>	<b>12,215.3</b>	<b>12,722.5</b>	<b>13,068.9</b>	<b>14,219.0</b>	<b>15,498.7</b>
- growth (%)	8.3	9.3	4.2	2.7	8.8	9.0
<b>- CASA Dep</b>	<b>3,940.6</b>	<b>4,101.3</b>	<b>4,263.3</b>	<b>4,600.8</b>	<b>4,877.1</b>	<b>5,316.0</b>
- growth (%)	4.5	4.1	3.9	7.9	6.0	9.0
Borrowings	431.4	269.5	648.4	771.9	714.8	748.1
Other Liabilities & Prov.	415.6	465.1	497.9	567.0	635.0	711.2
<b>Total Liabilities</b>	<b>12,807.5</b>	<b>13,919.6</b>	<b>14,998.6</b>	<b>15,693.5</b>	<b>16,986.7</b>	<b>18,542.3</b>
Current Assets	1,121.5	1,193.0	1,313.3	957.0	597.4	714.9
<b>Investments</b>	<b>3,393.0</b>	<b>3,379.0</b>	<b>3,543.8</b>	<b>3,302.4</b>	<b>3,401.4</b>	<b>3,571.5</b>
- growth (%)	-2.6	-0.4	4.9	-6.8	3.0	5.0
<b>Loans</b>	<b>7,618.5</b>	<b>8,707.8</b>	<b>9,535.1</b>	<b>10,532.8</b>	<b>11,586.1</b>	<b>12,860.5</b>
- growth (%)	15.3	14.3	9.5	10.5	10.0	11.0
Fixed Assets	88.3	92.2	97.8	116.1	106.8	112.1
Other Assets	586.3	547.5	508.5	785.3	1,295.1	1,283.4
<b>Total Assets</b>	<b>12,807.5</b>	<b>13,919.6</b>	<b>14,998.6</b>	<b>15,693.5</b>	<b>16,986.7</b>	<b>18,542.3</b>

### Asset Quality

GNPA	609.9	431.0	353.5	304.0	317.1	336.7
NNPA	133.6	93.1	59.7	50.7	57.1	63.4
Slippages	125.2	118.8	120.7	84.5	143.8	152.8
GNPA Ratio (%)	7.53	4.76	3.60	2.82	2.68	2.56
NNPA Ratio (%)	1.75	1.07	0.63	0.48	0.49	0.49
Slippage Ratio (%)	1.76	1.45	1.32	1.30	1.30	1.25
Credit Cost (%)	1.87	0.83	0.83	0.42	0.47	0.57
PCR (Excl Tech. write off) (%)	78.1	78.4	83.1	83.3	82.0	81.2

E: MOFSL Estimates

## Financials and valuations

### Ratios

Y/E March	FY23	FY24	FY25	FY26E	FY27E	FY28E
<b>Yield and Cost Ratios (%)</b>						
<b>Avg. Yield-Earning Assets</b>	<b>6.9</b>	<b>7.9</b>	<b>7.7</b>	<b>7.3</b>	<b>7.4</b>	<b>7.4</b>
Avg. Yield on loans	8.0	8.8	8.7	8.0	8.0	8.0
Avg. Yield on Investments	6.3	6.7	6.8	6.6	6.7	6.6
<b>Avg. Cost-Int. Bear. Liab.</b>	<b>4.3</b>	<b>5.2</b>	<b>5.3</b>	<b>5.1</b>	<b>5.1</b>	<b>5.0</b>
Avg. Cost of Deposits	4.1	5.0	5.2	5.0	5.0	4.9
<b>Interest Spread</b>	<b>2.6</b>	<b>2.6</b>	<b>2.3</b>	<b>2.2</b>	<b>2.3</b>	<b>2.5</b>
<b>Net Interest Margin</b>	<b>2.8</b>	<b>2.9</b>	<b>2.7</b>	<b>2.5</b>	<b>2.6</b>	<b>2.7</b>
<b>Capitalisation Ratios (%)</b>						
CAR	16.0	17.0	18.0	18.1	18.1	18.1
Tier I	13.9	15.0	16.3	16.6	16.8	16.9
CET-1	12.4	13.7	15.0	15.7	15.9	15.9
Tier II	2.1	2.0	1.8	1.5	1.3	1.2
<b>Business and Efficiency Ratios (%)</b>						
Loans/Deposit Ratio	68.2	71.3	74.9	80.6	81.5	83.0
CASA Ratio	35.3	33.6	33.5	35.2	34.3	34.3
Cost/Assets	1.7	1.8	1.7	1.8	1.8	1.8
Cost/Total Income	46.3	46.4	45.5	49.0	50.4	49.2
Cost/ Core Income	-2.1	-1.3	-0.8	-1.0	-0.9	-0.8
Int. Expense/Int.Income	59.4	63.3	64.9	65.4	65.1	63.7
Fee Income/Total Income	28.6	26.9	29.0	29.6	28.6	27.7
Non Int. Inc.Total Income	30.9	30.5	34.7	34.6	34.0	33.6
Empl. Cost/Total Expense	56.5	58.8	56.6	58.2	58.7	58.8
<b>Efficiency Ratios (%)</b>						
Employee per branch (in nos)	8.8	9.0	8.6	9.0	9.0	9.0
Staff cost per employee (INR m)	1.6	1.9	2.0	2.1	2.2	2.4
CASA per branch (INR m)	459.4	484.6	494.5	532.9	559.3	603.6
Deposits per branch (INR m)	1,303.2	1,443.2	1,475.8	1,513.7	1,630.6	1,759.7
Business per Employee (INR m)	248.6	275.8	301.2	305.0	330.1	359.2
Profit per Employee (INR m)	1.1	1.8	2.4	2.4	2.3	2.5
<b>Profitability Ratios and Valuation (%)</b>						
RoE	12.2	16.7	18.1	16.2	13.9	13.9
RoA	0.7	1.0	1.2	1.2	1.1	1.1
RoRWA	1.4	2.0	2.5	2.5	2.2	2.1
Book Value (INR)	110	123	144	164	182	204
- growth (%)	10.3	12.1	17.2	14.2	10.5	12.0
Price-BV (x)	1.6	1.5	1.2	1.1	1.0	0.9
Adjusted BV (INR)	94	112	136	158	174	196
Price-ABV (x)	1.9	1.6	1.3	1.1	1.0	0.9
EPS (INR)	12.3	18.9	23.6	24.5	23.7	26.3
- growth (%)	56.1	52.9	24.9	3.9	-3.4	11.3
Price-Earnings (x)	14.5	9.5	7.6	7.3	7.6	6.8
Dividend Per Share (INR)	3.0	3.6	4.8	4.5	4.5	4.5
Dividend Yield (%)	1.7	2.0	2.7	2.5	2.5	2.5

E: MOFSL Estimates

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Explanation of Investment Rating	
Investment Rating	Expected return (over 12-month)
BUY	>=15%
SELL	< - 10%
NEUTRAL	< - 10 % to 15%
UNDER REVIEW	Rating may undergo a change
NOT RATED	We have forward looking estimates for the stock but we refrain from assigning recommendation

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